

NATIONAL ENDOWMENT for the **ARTS**

 arts.gov

**Office of the Inspector General
Semianual Report to Congress
October 1, 2023 – March 31, 2024**

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MESSAGE FROM THE INSPECTOR GENERAL

During this semiannual reporting period, the National Endowment for the Arts (NEA) Office of Inspector General (OIG) completed the Congressionally mandated report on the NEA's Compliance with the Digital Accountability and Transparency Act of 2014 for the Fourth Quarter of Fiscal Year (FY) 2022 and the Financial Statement Audit of the NEA for FY 2023. We also worked with the NEA on the follow-up process, required by the Office of Management and Budget, that resulted in the NEA and awardees taking correction actions on nine OIG recommendations during the semiannual period. In addition, we resolved 56 percent of the hotline complaints received and referred 39 percent to other NEA offices or outside agencies during the semiannual period.

Finally, we continuously monitor NEA's top management challenges and noted that the NEA continues to make progress in addressing these challenges, and is quick and strategic in responding to new challenges as they occur. In terms of new challenges, NEA has demonstrated its ability to effectively steward increased funding over the past three years. NEA also faces an enhanced role in President Biden's [Executive Order #14084](#), which includes a whole-of-government approach for advancing the arts, the humanities, and museum and library services. We will include a more thorough discussion of this and other challenges in our next semiannual report.

I applaud the NEA and the OIG staff for continuing to press forward and effectively work together to deliver our respective missions in a high-quality manner. The value-added work that the NEA and OIG accomplished this period is due to their commitment and leadership and effectiveness while helping to ensure integrity, excellence, and value in the delivery of NEA's mission.

Ron Stith, CPA

Ron Stith, CPA
Inspector General

NATIONAL ENDOWMENT FOR THE ARTS

Established by Congress in 1965, the National Endowment for the Arts (NEA) is an independent Federal Agency that funds, promotes, and strengthens the creative capacity of our communities by providing all Americans with diverse opportunities for arts participation. The NEA partners with state arts agencies, regional arts organizations, local leaders, other Federal agencies, and the philanthropic sector to help deliver its mission. As part of its mission, the NEA supports arts learning, affirms and celebrates America's rich and diverse cultural heritage, and extends its work to promote equal access to the arts in every community across America.

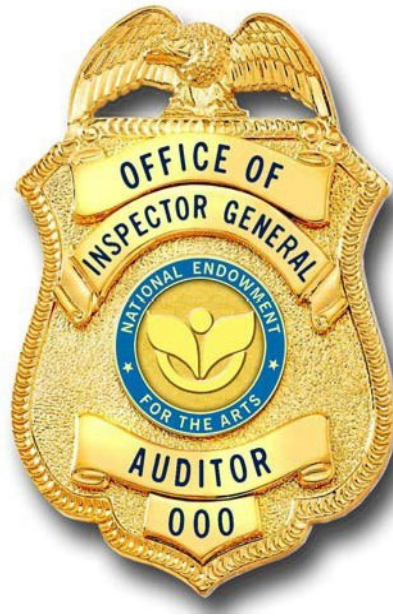
President Biden's [Executive Order #14084](#) enhances, if not expands, the NEA mission – including a whole-of-government approach for advancing the arts, the humanities, and museum and library services. This order notes how essential arts and humanities are to the well-being, health, vitality, and democracy of the Nation, and encourages their integration into policies, programs, and partnerships throughout the federal government.

OFFICE OF THE INSPECTOR GENERAL

The Inspector General Act of 1978, as amended (IG Act), established 74 Offices of Inspectors General (OIGs) across the Federal government, including the NEA. The NEA OIG's mission is to help ensure the efficiency, effectiveness, integrity, and equity of NEA's programs and operations. In pursuit of its mission, the NEA OIG conducts or oversees audits of NEA and award recipient programs and operations, reviews and responds to existing or proposed legislation and regulations affecting the NEA, and maintains open communication with NEA Heads and the Congress. To accomplish our objectives for these audits, the NEA OIG consists of the Inspector General (IG), the Assistant Inspector General for Audit, an Audit Manager, two Auditors, and funding for contract audit support as needed for Congressionally mandated audits, such as the annual Financial Statement and Information Systems audits. The NEA OIG also receives investigative and legal support services when needed through Memorandums of Understanding (MOUs) with the Department of Education OIG.

On October 14, 2008, Congress passed the IG Reform Act of 2008, which enhanced the independence of IGs and created the Council of Inspectors General on Integrity and Efficiency (CIGIE). CIGIE's mission is to support continuing professional education of OIG staff, collaborate between the IGs to address overarching issues, and report the results of OIG work collectively to taxpayers, Agency Heads, and the Congress.

Each OIG is required to prepare a semiannual report summarizing the activities of its office for the six-month periods ending March 31 and September 30 each year. We send each semiannual report to the NEA Chair and members of the National Council on the Arts. The NEA Chair is required to prepare a Final Report of Action responding to the semiannual report. Finally, the NEA is required to send these reports to its appropriating and authorizing Congressional committees by May 31 and November 30 of each year.



AUDITS AND RELATED ACTIVITIES

Completed Reports

The audits completed during this semiannual period were the Congressionally mandated audits of the NEA's Compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act) for the Fourth Quarter of Fiscal Year (FY) 2022, and the FY 2023 NEA Financial Statements. Following are summaries of the completed audits.

Report on the National Endowment for the Arts' Compliance with the Digital Accountability and Transparency Act of 2014 for Fourth Quarter Fiscal Year 2022, A-24-01

As required by the DATA Act, we completed the bi-annual audit of NEA's compliance with data standards established by the Department of Treasury and the Office of Management and Budget. We contracted with Williams, Adley & Company-DC, LLP (Williams Adley) to perform the audit, and an audit report was issued on November 7, 2023. The audit concluded that, overall, the NEA's FY 2022, Quarter 4 submission for publication on USAspending.gov was complete, timely, accurate, and of excellent quality. The audit also concluded that the NEA has properly implemented and used the government-wide data standards to successfully submit data to the Treasury's DATA Act Broker.

FY 2023 Audit of the National Endowment for the Arts Financial Statements, A-24-02

The Accountability of Tax Dollars Act of 2002 requires the OIG or an independent external auditor, as determined by the Inspector General, to annually audit the agency financial statements. We contracted with Williams Adley to perform the audit. The FY 2023 Financial Statement Audit report was issued November 15, 2023, and resulted in an unmodified opinion. The audit did not identify any findings.

Audit Resolution and Corrective Actions

At the beginning of the reporting period, there were 31 open recommendations from the prior semiannual report. During this reporting period, we did not issue any new recommendations; however, we did review agency and awardee corrective actions that enabled us to close seven recommendations – leaving 24 open recommendations at the end of this reporting period – March 31, 2024. Corrective actions are in process by the NEA and one awardee to address the remaining open recommendations.

Reports Issued with Questioned Costs

There were no reports issued with questioned costs during the reporting period (see Table 1, page 8).

Reports Issued with Recommendations that Funds Be Put to Better Use

There were no reports issued with recommendations that funds be put to better use during the reporting period (see Table 2, page 9).

Reports Issued with Recommendations Open for More Than 180 days

As of March 31, 2024, there were five reports with 24 recommendations open for more than 180 days. The NEA and its awardees have concurred with the findings and recommendations and submitted corrective action plans to implement these recommendations (see Table 4, page 11).

Audits and Other Activities Planned or In-Process

In February 2024, we completed a risk-based analysis of NEA awardees and solicited input from NEA employees to develop an audit plan for calendar year 2024. The resulting plan includes seven awardees to audit, with a total award value of \$28,029,513, and three audits mandated by the Congress. As of March 31, 2024, there are two awardee audits in process that we expect to complete by the end of September 30, 2024. Following is a summary of the objectives of the two audits in process.

Performance Audit on Selected Awards to the Michigan Arts & Culture Council (MACC), formerly known as the Michigan Council for the Arts and Cultural Affairs

The objective of this audit is to determine whether:

- MACC’s financial management system and recordkeeping comply with the requirements established by OMB and the NEA;
- MACC fulfilled Federal financial and compliance requirements, including any required cost share/match, set forth in the award documents; and
- Total project costs reported under the awards were reasonable, allocable, and allowable.

Performance Audit on Selected Awards to the Georgia Council for the Arts (GCA)

The objective of this audit is to determine whether:

- GCA’s financial management system and recordkeeping comply with the requirements established by OMB and the NEA;
- GCA fulfilled Federal financial and compliance requirements, including any required cost share/match, set forth in the award documents; and
- Total project costs reported under the awards were reasonable, allocable, and allowable.

INVESTIGATIVE ACTIVITIES

The IG Act authorizes the NEA OIG to receive and investigate allegations of employee misconduct, fraud, waste, and abuse occurring within the NEA’s programs and operations. Investigative activities tend to be reactive and initiated based on reports of possible fraud, ethics violations, and other issues of integrity, including possible wrongdoing referred by NEA employees, other government agency employees, and the public. Because we do not have any investigative staff, during FY 2024, we rely on the Department of Education OIG to obtain investigative support when needed.

Criminal, Civil and Administrative Actions

Reported incidents of possible fraud, ethics violations, and other integrity issues can give rise to criminal, civil or administrative investigations. The IG Act requires the NEA OIG to refer matters to the U.S. Department of Justice whenever there are reasonable grounds to believe there has been a violation of Federal criminal law. We did not initiate any investigations nor did we refer any matters to the Department of Justice during this semiannual period.

Hotline

During this reporting period, the NEA OIG received and evaluated 18 hotline complaints. The evaluations enabled us to close ten complaints, refer seven complaints to the NEA and other agencies, and the remaining complaint is being assessed for possible investigation (see Table 5, page 12).

OTHER ACTIVITIES

Activities within the Inspector General Community

Activities that affect the IG community are typically coordinated by CIGIE. CIGIE holds monthly meetings to discuss and vote on matters impacting the IG community, with each IG being a voting member. CIGIE also develops and delivers training for the IG community, and each OIG contributes a portion of its budget to support CIGIE operations.

CIGIE and each OIG updates Oversight.gov – a website that provides a “one stop shop” – to report the ongoing oversight work of all. Oversight.gov allows users to sort, search, and filter the site’s database across agencies to find reports covering their areas of interest.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Pandemic Response Accountability Committee (PRAC) within CIGIE, with the mission of:

- Promoting transparency to the public on the government’s coronavirus spending and the coronavirus response.
- Preventing and detecting fraud, waste, abuse, and mismanagement of that spending.
- Mitigating major risks that cut across programs and agencies.

The government’s coronavirus response included economic relief to individual citizens, loans for businesses, and support for hospitals and other medical providers, as well as, economic relief for impacted businesses, industries, and state, local and tribal governments. The PRAC uses data, along with other law enforcement partners, to detect and combat fraud, waste, abuse, and mismanagement. The PRAC also hosts monthly meetings with OIGs of agencies that received CARES and American Rescue Plan Act funding. These meetings facilitate collaboration and coordination among the OIGs, NEA OIG included, to provide more efficient and effective oversight. The PRAC’s coordinated, comprehensive approach to oversight helps the NEA OIG fulfill its Pandemic response accountability mission.

In addition, the CARES Act established the Special Inspector General for Pandemic Recovery to oversee spending of all government funds issued in response to the COVID-19 Pandemic in the United States.

Significant Management Decisions

Section 5(a)(11) of the IG Act requires that OIG disagreements with significant management decisions be reported in the semiannual report to Congress. Section 5(a)(12) of the IG Act also requires that any management decision changing their response to a significant resolved audit finding must be disclosed in the semiannual report. During this reporting period, the NEA OIG did not disagree with any management decisions, and management did not revise any earlier decisions on our audit recommendations.

Access to Information

Section 6(b)(2) of the IG Act requires the IG to report to the Agency head, without delay, if the IG believes that access to required information, records or assistance has been unreasonably refused, or has not been provided. Section 5(a)(5) of the IG Act requires that reports to the Agency head about any refusal or delay in accessing records be summarized in the semiannual report. During this reporting period, the NEA OIG did not have a problem obtaining assistance or access to NEA records.

Review of Legislation and Regulations

Section 4(a)(2) of the IG Act requires that the OIG review and comment on proposed legislation or regulations relating to the Agency or, affecting our operations. During this reporting period, we the NEA OIG did not review any proposed legislation.

Peer Review Activity

Section 989C of the Dodd-Frank Act contains additional semiannual reporting requirements pertaining to peer review reports. Federal IGs are required to engage in peer review activities related to both their audit and investigative operations. Peer reviews are conducted on a three-year cycle and evaluate an OIG audit organization's systems of quality control, in accordance with CIGIE's *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.

These guidelines are based on requirements in the Government Accountability Office's *Government Auditing Standards*. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. Conforming to Section 989C, we are reporting the following information related to our peer review activities.

The National Labor Relations Board OIG conducted our most recent peer review for the three-year period ending March 31, 2022. The audit peer review report was issued September 16, 2022, and concluded that our audit organization's system of quality control complied with Government Auditing Standards. We received a peer review rating of "pass with deficiencies". We have since completed and implemented our corrective action plan for the two deficiencies issued in the peer review report, and submitted supporting documentation to CIGIE's Peer Review Committee.

We provided copies of the peer review report to the NEA Chairman, the National Council on the Arts, the CIGIE Chairman, and the CIGIE Audit Committee Chair. We also posted the report on our website at www.arts.gov/about/inspector-general/reports/external-peer-reviews. Our next peer review will be conducted by AmeriCorps OIG for the three-year period ending March 31, 2025.

OUTREACH AND AWARENESS

Website

We maintain an ongoing internet presence at <https://www.arts.gov/about/inspector-general> to inform NEA employees, awardees, and the public of our mission; and to post the results of our work, as required by the IG Act. During this semiannual reporting period, we reviewed our website content to ensure we included resources to assist the NEA and its awardees in achieving excellence in delivery of the NEA mission, in particular through high quality stewardship of Federal award funding.

Consultations with the National Council on the Arts and Congress

The IG Act directs IGs to keep the Head of the Establishment and Congress fully and currently informed. For purposes of the IG Act, the National Council on the Arts (the Council) is the Head of the Establishment. The NEA IG provides periodic updates of NEA OIG operations affecting the NEA as deemed necessary to the Council Chair and other Council members. Also, we provide semiannual reports summarizing NEA OIG work to the Council Chair, Council members, and copies are provided to the Congress.

TABLE 1: SUMMARY OF REPORTS ISSUED DURING THE REPORTING PERIOD

REPORT NO.	REPORT DATE	REPORT TITLE	QUESTIONED COSTS	FUNDS PUT TO A BETTER USE
A-24-01	November 7, 2023	NEA's Compliance with the Digital Accountability and Transparency Act of 2014 for the Fourth Quarter of Fiscal Year 2022	\$0	\$0
A-24-02	November 15, 2023	NEA's Financial Statement Audit for FY 2023	0	0
TOTAL			\$0	\$0

**TABLE 2: INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATION
THAT FUNDS BE PUT TO BETTER USE**

		NO. OF REPORTS	DOLLAR VALUE
A.	For which no management decision has been made by the commencement of the reporting period	0	\$0
B.	Which were issued during this reporting period	0	\$0
C.	For which a management decision was made during the reporting period	0	\$0
	i. Dollar value of recommendations that were agreed to by management	0	\$0
	- Based on proposed management actions	0	\$0
	- Based on proposed legislative action	0	\$0
	ii. Dollar value of recommendations that were not agreed to by management	0	\$0
D.	For which no management decision has been made by the end of the reporting period	0	\$0
E.	Reports for which no management decision was made within six months of issuance	0	\$0

TABLE 3: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS

			DOLLAR VALUE	
			QUESTIONED COSTS	POTENTIAL REFUNDS
A.	For which no management decision has been made by the commencement of the reporting period	1	\$1,990,892	\$36,089
B.	Which were issued during the reporting period	0	\$0	\$0
	Subtotals (A+B)	1	\$1,990,892	\$36,089
C.	For which a management decision was made during the reporting period	1	\$4,272	\$0
	i. Dollar value of the disallowed costs	0	\$0	\$0
	ii. Dollar value of the cost not disallowed	1	\$4,272	\$0
D.	For which no management decision was made by the end of the reporting period	1	\$1,986,620	\$36,089
E.	Reports for which no management decision was made within six months of issuance	1	\$1,986,620	\$36,089

TABLE 4: REPORT RECOMMENDATIONS WITH CORRECTIVE ACTIONS NOT COMPLETED WITHIN 180 DAYS

REPORT NO.	REPORT DATE	REPORT TITLE	OPEN RECOMMENDATIONS
A-20-01	October 30, 2019	Federal Information Security Modernization Act of 2014, Independent Auditor Report of the National Endowment for the Arts Information Security Program and Practices, Fiscal Year 2019	2
A-21-01	November 2, 2020	Federal Information Security Modernization Act of 2014, Independent Auditor Report of the National Endowment for the Arts Information Security Program and Practices, Fiscal Year 2020	1
A-22-04	September 28, 2022	Federal Information Security Modernization Act of 2014, Independent Auditor Report of the National Endowment for the Arts Information Security Program and Practices, Fiscal Year 2022	1
OIG-23-01	September 14, 2023	Performance Audit of the Western States Arts Foundation	17
A-23-02	September 27, 2023	Federal Information Security Modernization Act of 2014, Independent Auditor Report of the National Endowment for the Arts Information Security Program and Practices, Fiscal Year 2023	3
TOTAL OPEN RECOMMENDATIONS FOR MORE THAN 180 DAYS			24

TABLE 5: INVESTIGATIVE AND ADMINISTRATIVE ACTION DATA

CIVIL/CRIMINAL INVESTIGATIVE/ADMINISTRATIVE ACTIVITIES	NO. OF ACTIONS
Referrals to Prosecutors	0
Civil Settlements	0
Investigative Recoveries	0
Debarments/Suspensions	0
Administrative Actions	0
HOTLINE CONTACTS	NO. OF ACTIONS
Telephone Calls	6
Email	12
Website	0
Standard Mail	0
Referred by Other Sources	0
Referred to Other Sources	7
Included in the Audit Plan	0
Closed	10
Total Hotline Contacts	18
FREEDOM OF INFORMATION ACT REQUESTS	NO. OF ACTIONS
Requests Received	1
Requests Processed or Referred	1
Total Freedom of Information Act Requests	1

TABLE 6: SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS

IG ACT REFERENCE	REPORTING REQUIREMENT	PAGE(S)
Section 4(a)(2)	Review of legislation and regulations	6
Section 5(a)(1)	Significant problems, abuses, and deficiencies	2
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	2
Section 5(a)(3)	Prior significant recommendations on which corrective actions have not been completed	3&11
Section 5(a)(4)	Matters referred to prosecutive authorities	4
Section 5(a)(5)	Summary of instances where information was refused	5
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs and funds put to better use	8-10
Section 5(a)(7)	Summary of each particularly significant report	2
Section 5(a)(8)	Statistical tables showing number of reports and dollar value of questioned costs	8&10
Section 5(a)(9)	Statistical tables showing number of reports and dollar value of recommendations that funds be put to better use	9
Section 5(a)(10)	Summary of each audit report issued before this reporting period for which no management decision was made by the end of the reporting period	10
Section 5(a)(11)	Significant management decisions	5
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	5
Section 6(b)(2)	Access to information	5
Section 989C	Peer Review – Sec. 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203) requires Inspectors General to include the results of any peer review conducted by another OIG during the reporting period; or if no peer review was conducted, a statement identifying the date of the last peer review.	6

OIG FUNCTIONS

WE PERFORM THE FOLLOWING FUNCTIONS:

Performance Audits are conducted to assess the efficiency, effectiveness, economy, and now equity of NEA programs, activities, and functions; provide information to responsible parties to improve public accountability; facilitate oversight and decision making; and initiate corrective actions as needed. These audits also consider compliance with applicable laws and regulations, and soundness of the internal organizational and operational controls.

Financial Audits provide an independent assessment of whether an entity's reported financial condition, results, and use of resources are presented fairly and in accordance with generally accepted accounting principles.

Investigations are conducted based on alleged or suspected fraud, waste, abuse or gross mismanagement, employee and contractor misconduct, and criminal and civil violations of law that have an impact on NEA programs and operations. The OIG refers matters to the U.S. Department of Justice whenever there are reasonable grounds to believe there has been a violation of Federal criminal law. The OIG also identifies fraud indicators and recommends measures to management to improve the Agency's ability to protect itself against fraud and other wrongdoing.

Awareness Briefings and Bulletins are presented to NEA management, staff, and awardees to promote greater knowledge and understanding of potential or actual conditions, vulnerabilities, opportunities for improvement, or loss prevention. Briefings may be used internally or with stakeholders in lieu of formal reports.

**HELP PROMOTE INTEGRITY, ECONOMY AND EFFICIENCY
REPORT SUSPECTED FRAUD, WASTE, ABUSE OR MISMANAGEMENT**

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Complaints may be made anonymously. However, we would have no way of contacting you. Any information you provide will be held in confidence unless disclosure is required by law. Providing your name and means of communicating with you may increase our ability to investigate your complaint.